

Report from the IPSASB Consultative Advisory Group (CAG) Meeting

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The IPSASB Public Interest Committee (PIC) remains very positive about the CAG and complimentary of the progress made and the conversation being heard and acted on by the Board and staff. It supports the inclusion of implementation issues as part of the meeting. The PIC was supportive of the proposals to extend the membership of the CAG and efforts made to broaden diversity both regionally and from a gender perspective.

There were a number of new members to the CAG. They all hit the ground running and it was another good discursive meeting. As usual there were a range of views and not always consensus.

The Chair of IPSASB noted key documents issued where there has been important input by the CAG, including the standard on social benefits, Strategy and Workplan and the CP on measurement.

There was an excellent presentation from Saudi Arabia who are in the process of implementing accrual accounts using IPSAS. This is part of a wide vision for the Saudi Government that was issued in April 2016. They are planning to implement the full set of IPSAS except IPSAS35 [*Consolidated Financial Statements*] and to move to a centralised system with a unified chart of accounts. They are planning to complete this set of reforms by 2023.

The main agenda papers for the meeting and the key issues raised are set out below.

Implementation Issues

The main question being asked of the CAG was “Do you have any suggestions for presenters and topics that should be discussed at future Implementation Issues session? Could there be improvements for future sessions?”

The key points from the discussion were:

A desire to look at implementation challenges with specific standards rather than general issues. There were thoughts about issues that:

- are related to the future workplan (e.g. discount rates),
- consideration of the issues that prevent jurisdictions wanting to adopt IPSAS taking up specific standards,
- the definition of reporting entities, and
- issues related to IFRS that are about to be converged (e.g. IFRS 15)

- the opportunity to hear from standard setters who cover both the public and private sectors and what they see as the real differences.
- there was also a discussion about the role of guidance and the need for “interpretations”.

The need to carry out a stocktake of the implementation issues raised to date and to synthesise the key themes for further discussion. I strongly supported this point. The debate included consideration of financial accounts, versus budgets and national accounts and the role of audit and the scope of audit beyond the financial statements.

Engaging stakeholders and ensuring we get the perspective of key users, including rating agencies. It was also viewed as important to check on the interests of stakeholders and how information is used for decision making.

There was also a view that the CAG needed to be clear on the objectives of its discussions given its advisory nature. The need to consider both accounting standards and wider public financial management was raised.

Revenue – capital grants

The CAG was asked ***“Which option for accounting for capital grant receipts better serves the public interest?”***

Summary of the key points raised:

Experienced reality is that monies can be received without any obligation.

A number of members questioned whether one option covered all specificities. There were some differences of view but most supported the use of option 3 (Recognition in accordance with obligations in the binding arrangement where non-performance can require a return of resources (analogous to performance obligation approach)). There was a discussion around the matching concept and the extent to which revenues should be deferred to match expense. There is a need to consider the readers understanding of deferring revenue given this won't cover the full costs of owning the asset and so there is a need to be clear that the grant and the consequences for ongoing ownership are different. There was also support for recognition of a liability where monies are required to be repaid if obligations are not met.

The importance of analysing the arrangement to understand the accounting considerations was raised, which supported a range of approaches not just one.

In the main IPSASB meeting there was a lot of discussion more generally on performance obligations where there is a transfer of revenue and how to address the performance obligations. This will come back to the next IPSASB meeting.

Natural Resources

The CAG was asked ***“Do you agree with the various potential project scopes and the related issues and further considerations for the above items to be researched in developing the project brief? Are there any additional scope considerations not identified or issues which should be considered?”***

There was consensus that it was important to clarify the objectives of this project from a public interest perspective. There was also discussion of the limits of the scope of this project in terms of control or realisation. Another key area raised was consideration of the long term obligations that come from realising natural resources and what this might mean (e.g. emissions).

There were suggestions of a number of additional natural resources particularly intangibles such as wind, air space, space, light, sea space. It was agreed that such items be characterised by way of common characteristics to help identify the scope.

The key point from my perspective is what is the public interest – is it transparency and accountability of government actions and to have information to support decision making, or is it to put things on the balance sheet. The cost of quantification if required, and practical implications, particularly for those moving to accruals was raised as a concern, particularly for new adopters of IPSAS. It was also recommended that staff outline existing literature in this space.

The CAG was also asked ***“Do you agree that IFRS 6 [Exploration for and Evaluation of Mineral Resources] should be considered throughout the project?”***

This was not strongly reported as the standard was more from a private sector extractor perspective, but should be considered as part of understanding the literature.

Finally the CAG was asked ***“Do you agree the proposals for a project communication plan?”***

There was strong support for a plan because of high expectations. There was consensus on the need for outreach and expectation management. There was a strong recommendation to take account of the discourse already taking place on these topics and to ensure that IPSASB remains relevant as part of the debate.

Heritage

The CAG was asked ***“Do CAG members agree that classifying heritage assets as either operational or non-operational is useful when developing guidance on financial reporting for heritage assets?”***

My expressed view is that it can be a useful way of looking at it, but this is not conceptually based and so should not be used. i.e. if it meets the definition of an

asset, it is an asset. This was generally supported across the membership. Concern was raised by those on cash about the capacity to value non- operational assets for those implementing IPSAS and also cost versus benefit.

The CAG was also asked ***“What are your views on whether there is a public interest case for using symbolic value to measure heritage assets?”***

There were some differences of view but the vast majority did not support symbolic value. The view was that symbolic value is not consistent with the conceptual framework and that if an item cannot be reliably measured then it should not be included like any other asset. However, from a stewardship perspective it may be useful to report on heritage, but balance sheet inclusion is not the only option. The discussion centred upon the distinction between recognition and measurement. There was a general question raised about how assets and liabilities that cannot be reliably measured from an accounting perspective should be communicated.